

# Budget 2001



**Investing for the Long Term:  
Building Opportunity and Prosperity for All**

HM Treasury March 2001

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## Investing for the Long Term:

**Building Opportunity and Prosperity for All**

## Key Budget measures include...



- an extra £1 billion for education, £1 billion for health and £0.3 billion for fighting drugs over the next three years;
- extending the 10p income tax band by £300 over and above inflation from April 2001;
- a £1.50 a week increase in the Children's Tax Credit to £10 from April 2001 and increasing the credit to £20 a week from April 2002 for families in the year of a child's birth;
- a £5 a week increase in the basic credit in the Working Families' Tax Credit from June 2001;
- increasing maternity pay to £100 a week by April 2003 and extending the period of maternity pay from 18 to 26 weeks;
- an increase in the National Minimum Wage for workers aged 22 and over to £4.10 an hour in October 2001 and, subject to the economic conditions at the time, £4.20 an hour in October 2002; and
- a 2p per litre duty cut on ultra-low sulphur petrol and a 3p per litre duty cut on ultra-low sulphur diesel from Budget day.

## How the Budget impacts on you and your family...

By October 2001, as a result of personal tax and benefit changes introduced over the Parliament as a whole:

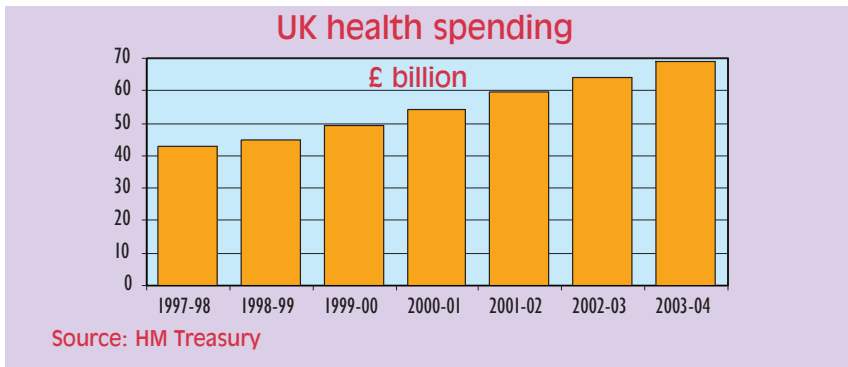
- on average, households will be £590 a year better off;
- families with children will be on average £1,000 a year better off; and
- the direct tax burden on a single earner family on average earnings with 2 children will be the lowest since 1972.

## Strong public services...

As a result of prudent management of the public finances, the Budget is able to allocate on **extra £2<sup>1</sup>/<sub>3</sub> billion to priority public services** over the next three years.

### For health:

- building on substantial increases already planned from April, an **extra £1 billion for the NHS** over the next three years;
- this includes £450 million for hospitals to pay for new equipment such as scanners and to replace old Nightingale wards. Acute hospital trusts will each receive £1/2 million to £1 million a year. In addition a further new fund will help recruit and retain key health service staff.



### For education:

- an **extra £1 billion for education** over the next three years;
- this includes £600 million to go direct to head teachers to modernise buildings and equipment and improve pupil attainment. Primary schools will receive additional direct payments of £3,000-£13,000 a year, and secondary schools will receive additions of £10,000-£23,000 a year. A further £200 million fund over three years will help schools to recruit and retain teachers.

### For tackling drugs:

- an **extra £0.3 billion** over the next three years, including £220 million to help communities drive out drug-related crime and extra resources to support voluntary action against drugs by leaders of the business and sporting worlds.

## Building a fairer society...

Budget 2001 includes new measures to support families and tackle child poverty, provide security in old age and ensure a fair tax system. Over the Parliament as a whole personal tax and benefit changes introduced will lift over 1.2 million children out of poverty.

- increasing the **Children's Tax Credit** from £8.50 to £10 a week from its introduction in April 2001 (replacing the married couple's allowance withdrawn in April 2000), making it worth up to £520 a year;
- increasing the credit to £20 a week from April 2002 for families in the **year of a child's birth**, making it worth up to £1,040 in that year;
- an extra £5 a week on the basic credit in the **Working Families' Tax Credit (WFTC)** from June 2001 and an extra £1.50 a week from October 2001 in the Income Support and Jobseeker's Allowance child premia;
- a package of measures on maternity pay and parental leave:
  - increasing the flat rate of **Statutory Maternity Pay** and **Maternity Allowance** from its present £60.20 a week to £75 a week from April 2002 and £100 a week from April 2003;
  - extending the **period of maternity pay** from 18 to 26 weeks in 2003;
  - the right to **paid adoption leave** for one parent and two weeks of paid **paternity leave** for working fathers, both from 2003; and
  - a £200 increase in the **Sure Start Maternity Grant** to £500 from April 2002.
- in addition to the increases in the basic state pension over the next two years announced in November 2000, an increase in the **age-related income tax allowances for pensioners** by £240 over and above inflation from April 2003; and
- no change in **alcohol duties** and an increase in **tobacco duties** in line with inflation.

# Modernising road transport and protecting the environment...

The Budget announces measures to encourage cleaner road transport, reduce the tax on smaller cars and support the UK haulage industry:

- a 2p per litre duty cut in **ultra-low sulphur petrol (ULSP)** which can be used in all cars which run on unleaded petrol. Duty on unleaded petrol is also reduced by 2p per litre until 14 June 2001 when ULSP will be available to all retailers;
- a 3p per litre duty cut in **ultra-low sulphur diesel**;
- a freeze in car and motorcycle **vehicle excise duty (VED)**, and an extension of the reduced rate of VED to cars with engines up to 1,549cc, including some Ford Escorts, Vauxhall Astras, Nissan Micras and Rover Metros;
- a major reform cutting **lorry VED** rates from December 2001, bringing UK rates down to among the lowest in Europe for the cleanest lorries. In the meantime, transitional arrangements and rebates since November 2000 have reduced rates by up to 50%; and
- abolition of **VED on tractors** and similar agricultural vehicles from April 2001, saving farmers over £10 million a year.

Also to protect the environment:

- the **climate change levy**, announced in Budget 99, will be introduced from April 2001 to encourage energy efficiency in the business and public sectors. The revenues will be recycled to business, including through a 0.3% reduction in employers' national insurance contributions and measures supporting energy-saving by businesses;
- an increase in the **landfill tax** to promote better waste management, as part of a five year programme of increases until 2004; and
- as announced in Budget 2000, the **aggregates levy** will be introduced in 2002 to reduce the environmental impacts of quarrying, with revenues returned to business and local communities.

## Increasing employment opportunity for all...

There are over 1 million more people in jobs than in spring 1997. The Government's New Deal has already helped over 270,000 young people into jobs. On a New Deal basis, youth unemployment is down by 80% and long-term unemployment is down by over two thirds.



Building on tax and benefit reforms already introduced to help people to move from welfare to work and to make work pay:

- the **National Minimum Wage** for workers aged 22 and over will rise by 40p to £4.10 an hour from October 2001 and, subject to the economic conditions at the time, to £4.20 an hour from October 2002;
- the **10p income tax band** will be extended by £300 more than inflation from April 2001 to cover the first £1,880 of taxable income, benefiting 25 million taxpayers, and increasing the number of people only paying tax at 10p to nearly 3 million;
- as previously announced, from April 2001 the threshold above which employees pay **national insurance contributions** will be increased and aligned with the income tax personal allowance and the upper earnings limit will also be increased;
- to provide further help with childcare costs, from June 2001 the **child-care tax credit** limit within the WFTC will rise from £100 to £135 a week for a family with one child, and from £150 to £200 a week for a family with two or more children; and
- for **lone parents**, New Deal provision will be enhanced, including extra help with training, self-employment and childcare costs. To ensure that they are aware of the choices available to them, all lone parents on Income Support will be required to attend work-focused interviews.

## Delivering a stable economy...

The Government is committed to delivering a strong and stable economy, avoiding a return to the boom and bust of the past. Steady and stable growth is now being accompanied by the lowest level of unemployment since the 1970s and the lowest level of inflation for over 30 years:

- **inflation** is expected to remain close to the Government's 2½% target;
- the **total output of the economy** is forecast to grow by between 2¼ and 2¾% in each of the next three years;
- the **number of people in work** across the UK has continued to rise – up by over 1 million since spring 1997 to a record level; and
- the **public finances** remain on track to meet the Government's strict fiscal rules, underpinning the substantial new investment in Britain's key public services set out in the July 2000 Spending Review.

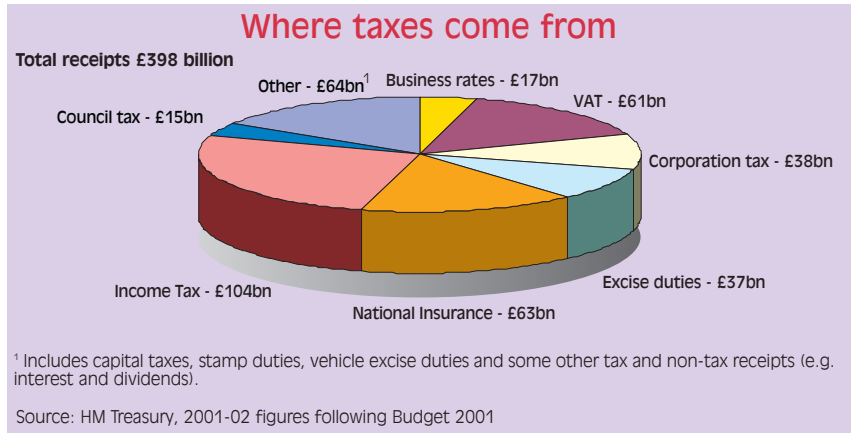
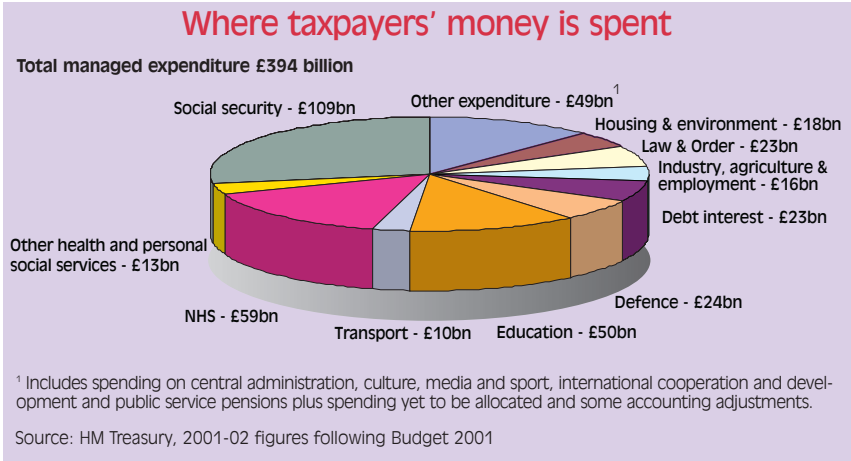
## Building stronger British businesses...

The amount of output produced per worker (productivity) in the UK is lower than in other major economies such as the US, France and Germany. Budget 2001 includes new measures to help close this productivity gap:

- reducing the **administrative and compliance cost** burdens placed on small and medium-sized firms by the VAT and corporation tax systems;
- consultation on tax measures to **boost research and development** (R&D) by large firms, to complement the R&D tax credit for small firms;
- encouraging **employee share ownership** through an expansion of Enterprise Management Incentives; and
- greater flexibility for **Regional Development Agencies** to help promote growth and enterprise across all regions of the country.

# Where taxpayers' money is spent...

Total public spending is expected to be around £394 billion next year, around £6,500 for every man, woman and child in the UK. It is set to rise to £418 billion in 2002-03 and £443 billion in 2003-04.



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